

Joint Committee on Finance, December 17, 1996

7.

VII. Department of Health and Family Services -- Joe Lekan, Secretary

The department requested approval of its plan for use of \$1,987,400 GPR in FY97 in the Joint Committee on Finance's appropriation under s. 20.865(4)(a) for developing an automated information system to assist the department in managing the child welfare system in Milwaukee.

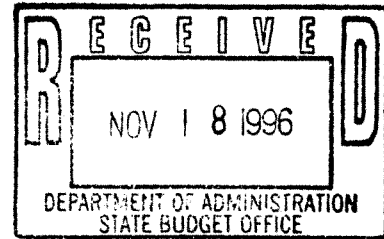
Due to an objection from a committee member, this request is now before the committee under s. 13.10.

Staff Recommendation:
3 —
A-3
B-2
C-3



State of Wisconsin
Department of Health and Family Services

Tommy G. Thompson, Governor
 Joe Lekan, Secretary



November 18, 1996

The Honorable Brian B. Burke
 Senate Chair, Joint Committee on Finance
 100 N. Hamilton Street, Room 302
 Madison, WI 53702

The Honorable Ben Brancel
 Assembly Chair, Joint Committee on Finance
 119 Martin Luther King, Jr. Blvd., Suite LL2
 Madison, WI 53702

Dear Senator Burke and Representative Brancel:

The Department of Health and Family Services is submitting its plan for use of \$1,987,400 GPR in FY 97 in the Joint Committee's appropriation under s. 20.865(4)(a) that was appropriated to develop an automated information system to assist DHFS in managing the child protective services system in Milwaukee County. These GPR funds will be matched with \$1,987,400 FED which has already been appropriated to DHFS. The balance of \$1,498,000 GPR in the Joint Finance Committee earmarked for the Milwaukee Child Protective Services information system is not being requested at this time.

Background

The 1995-97 biennial budget directed the Department of Health and Family Services (DHFS) to develop a plan to transfer the duty and authority to provide child welfare services in Milwaukee County from Milwaukee County to the Department of Health and Family Services. This provision was in response to a lawsuit filed by the American Civil Liberties Union (ACLU) against Milwaukee County and the State of Wisconsin regarding the Milwaukee child welfare system. The ACLU suit contends that the county has failed to provide required services and that the state has failed to provide adequate funding and failed to ensure that the County is in compliance with state and federal law.

In May of 1996, the Legislature passed legislation—Act 303—that provided resources to the Department of Health and Family Services for planning the transfer of duty and authority to provide child welfare services in Milwaukee County from Milwaukee County to the DHFS. Specifically, Act 303 appropriated \$13,792,600 AF for planning purposes of which \$3,485,400 GPR was appropriated to the Joint Finance Committee for development of an automated information system Wisconsin Child Protective Services System (WCPSS). Section 9127(b) of 1995 Act 303 instructed the Department to submit to the Joint Finance Committee a plan for use of the information system funds. The plan is subject to the 14-day "passive" review process of the JFC.

Milwaukee County Information System

Due to the magnitude and complexity of the Milwaukee child protective services program, an automated case management system is critical to the effective management of the program. Milwaukee County currently performs many procedures without the aid of automation. The County does have an automated payment system and does use the automated Human Resources Reporting System (HSRS). However, HSRS is designed to be an information reporting system and is not a case management system. HSRS data is not sufficiently detailed for case management purposes and HSRS does not have the capacity of performing many management functions, such as generating necessary legal documentation. DHFS is providing other counties the option of implementing the information system developed for Milwaukee, the Wisconsin Child Protective Services System (WCPSS) system. Several counties are participating in the design for the system and have already indicated their intent to implement WCPSS.

Design of the System

The WCPSS design calls for automation of all stages of the child protective services system. WCPSS will permit on-line tracking of all cases. The automated system will generate routine documents such as court filings, generate task and scheduling notices for caseworkers, produce reports, interface with other information systems such as CARES and KIDS, and manage fiscal processes. Automation will reduce the amount of time caseworkers spend on paper work, freeing them to spend more time with clients. Automation will increase conformity to work standards. Automation will also enable supervisors to monitor case worker performance more closely. Further, the reporting functions will improve data quality and usefulness for planning and evaluation. The interface capabilities will speed eligibility determination and increase the quality of case information.

Timeline

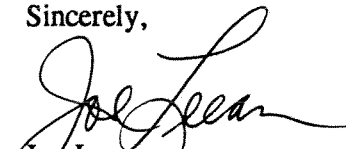
In August, 1996, the Department issued a Request for Proposal (RFP) for the WCPSS System. Following evaluation of the responses, DHFS issued a letter of intent on November 15 to award the contract to Brainstorm. The Department plans to negotiate contractual terms with the vendor in November-December and anticipates signing a contract in December 1996 or January 1997. WCPSS pilot testing is scheduled for the fall of 1997 and the system will be operational January, 1998.

Plan

As required in Act 303, attached is the Department's plan for the use of the WCPSS funds. The plan includes a narrative description and the projected budget. The plan is based on the proposal submitted by the selected vendor, Brainstorm.

Please contact me if you have questions concerning the plan.

Sincerely,



Joe Lee
Secretary

BUDGET ELEMENTS

I. STAFF NEEDS

BIS Development Staff

Six Bureau of Information Systems (BIS) staff are needed to work on the development of WCPSS. The responsibilities of the BIS development staff include negotiating the contractual terms with the selected vendor, coordinating interactions between the vendor and Department staff, and overseeing vendor progress. Per Department policy, BIS development staff bill the program division on an hourly basis.

Travel

Travel costs includes: travel by BIS development staff to Milwaukee and the other state regional and district offices to coordinate implementation of the WCPSS; travel by several BIS staff to the biannual American Public Welfare Association conferences to keep informed about developments at the federal level and in other states on this issue; travel by county social workers to Madison to participate in various stages of the WCPSS development, including the forms workshop, confirm analysis, design evolution, and acceptance testing; and travel by state special needs adoption social workers to Madison or Milwaukee for automation system training.

Project Staff

Two social services program staff will work full-time with the vendor throughout the development phases of the automated system. They will advise the vendor on child protective service standards and procedures and will assist the vendor in designing the system in a way that meets users' needs. One staff member will work on the intake, assessment and ongoing case management stages. The other will work on foster care and adoptions issues.

BIS Production and Infrastructure Support Staff

Six BIS staff will take over responsibility for system support when the vendor warranty ends in July, 1999. One and one-half of the staff bill the program division on an hourly basis. The cost of the other 4.5 staff is included in the per device infrastructure support charge that is assessed on users by BIS.

External Contract Staff

The Department will contract for four information technology functions:

1. During the development phases of WCPSS the Department will contract for quality control monitors to work with the vendor chosen to build WCPSS.
2. The Department will contract with a Certified Public Accounting firm to work with the vendor on development of the accounting and fiscal functions in WCPSS.
3. At the end of the vendor warranty period in July, 1999, the Department will contract for help desk personnel located in Milwaukee.
4. The Department will contract for software maintenance.

The cost of these external contracts is projected based on the numbers of contracted hours needed and the hourly rate for contractors.

II. VENDOR CONTRACT

Deliverables

Project Initiation and Site Set-Up

In this stage, the vendor will transfer an automated child welfare system from another state, establish a work-site and vendor staff in Madison, and establish procedures for reviewing and resolving changes in the project.

Confirm Analysis Requirements

Costs involve customising the transferred child welfare automation system to conform to the Department's requirements. This phase includes workshops with social work staff to develop a complete list of the business requirements necessary to build WCPSS. The vendor will produce an updated work plan, including identification of all the function points, tables, and fields necessary to build a system in compliance with the Department's requirements.

Design Evolution

At this stage the vendor will complete the database design, technical design, security system design, and specification of system user screens. Also the vendor will develop plans for system testing, data access, and installation.

Construction

In this phase the vendor will write and modify programs to meet the system business requirements, generate initial physical databases and demonstrate system components and functionality for the Department. The vendor will run benchmark tests of network response times and capacity, and recommend changes in software and hardware configurations based on test results. The vendor will also produce a draft training plan, a customer manual, and an operations manual.

Training

At this stage the vendor will produce a final training plan and materials, set-up training facility sites, produce a final customer manual, and initiate training sessions.

Acceptance Test

Vendor costs include the installation of the hardware and software necessary to perform acceptance testing. At this stage, the vendor will also implement and test batch processing capabilities.

Conversion

At this stage the vendor will develop software that converts existing Milwaukee County child welfare data and State special needs adoption data to the new system. A significant portion of the conversion stage will consist of manual data entry.

Pilot

The vendor will develop and execute a pilot of the system. The vendor will install the remaining hardware and software necessary to pilot the system, provide vendor staff to assist state staff throughout the pilot phase, and develop help desk procedures. The vendor will also run final benchmark tests to measure the system performance and recommend modifications to the system based on test results.

Full Implementation

At this stage the vendor will implement final system modifications, deliver a final operational system that meets all Department requirements and standards, deliver batch processing documentation, and deliver a plan for transfer of system operations and maintenance responsibility to the Department.

Warranty

This stage includes the cost of warranting the system for one year starting with the date of completion and system turnover.

Equipment and Site Costs

Facility Cost

The Vendor will pay the cost of maintaining a site in Madison through the close of the warranty period in July, 1999. Costs include ongoing costs such as rent and utilities.

Development Environment

The vendor will purchase hardware, software, and telecommunications equipment for use during the development phases. This equipment will be used both by vendor staff, as well as Department staff and county social workers involved in design workshops and acceptance testing. The equipment will be turned over to the Department at the end of the warranty period in July, 1999.

III. EQUIPMENT AND EQUIPMENT SUPPORT

Hardware Purchase

The Department will purchase the workstations and printers needed for both state and contract Milwaukee Child Protective Services staff. The Department will also purchase equipment for State Special Needs Adoption staff who will be utilizing the WCPSS system and who require new equipment in order to run the WCPSS system. Almost 750 people in the Milwaukee Child Welfare System and the State Special Needs Adoption System will be provided access to and utilize WCPSS. The Department will purchase 702 new workstations, and 39 printers.

Video Teleconferencing

The Department will install video teleconferencing equipment at the Milwaukee child protective services sites. This equipment will provide the Milwaukee sites the capability to communicate with each other and the court system in Milwaukee via videoconferencing. The Milwaukee Children's Court has begun conducting hearings via teleconferencing,

thereby permitting caseworkers to stay at their home-sites. This increases staff efficiency by reducing travel time and costs and waiting time in the courtroom. The teleconferencing capability will also be used to conduct joint training sessions for staff at all sites, thereby eliminating staff travel time.

BIS Infrastructure Support

BIS will provide support for all of the WCPSS computer workstations and printers once the vendor warranty terminates in July, 1999. As with all units in the Department, BIS charges the users for these support services through a charge on each computer device.

IV. OTHER COSTS

State Foster Care and Adoption Payment System

The Department currently uses a state-wide Foster Care and Adoption Payment information System to support special needs adoption payments. Because WCPSS is a more effective system with greater capability, WCPSS will either replace or link with the current adoption payment system by July, 1998. The Department will continue to pay for operations and maintenance of the current Foster Care and Adoption Payment System until WCPSS is fully implemented.

Milwaukee Payment System

Milwaukee County currently operates its own child protective services payment system. The Milwaukee County system needs to remain operational until all case information is converted to WCPSS and full implementation is achieved in July 1998. The Department will pay the operational costs in the first six months of calendar year 1998 after the State takes responsibility for the Milwaukee child welfare system.

JFC Summary

	FY 1997	FY 1998	FY 1999	Total Cost Over 1st 3 Years
STAFF				
BIS Development Staff Billing	\$ 449,190	\$ 539,280	\$ 456,890	\$ 545,821
Travel	\$ 28,981	\$ 40,055	\$ 3,051	\$ 72,087
Project Staff	\$ 67,650	\$ 124,900	\$ -	
BIS Production Support Staff Billing	\$ -	\$ 95,498	\$ 129,577	\$ 225,075
External Contract Staff	\$ 163,000	\$ 910,000	\$ 994,000	\$ 2,067,000
	\$ 708,821	\$ 1,709,733	\$ 1,583,518	\$ 2,909,983
VENDOR CONTRACT				
<u>Deliverables:</u>				
Project Initiation and Site Set-Up	\$ 184,705	\$ -	\$ -	\$ 184,705
Confirm Analysis Requirements	\$ 181,560	\$ -	\$ -	\$ 181,560
Design Evolution	\$ 478,560	\$ -	\$ -	\$ 478,560
Construction	\$ 516,302	\$ 556,178	\$ -	\$ 1,072,480
Training	\$ 604,837	\$ 934,743	\$ -	\$ 1,539,580
Acceptance Test	\$ -	\$ 142,920	\$ -	\$ 142,920
Conversion	\$ 58,613	\$ 1,712,107		\$ 1,770,720
Pilot	\$ -	\$ 200,800	\$ -	\$ 200,800
Full Implementation	\$ -	\$ 438,720		\$ 438,720
Warranty	\$ -	\$ -	\$ 418,520	\$ 418,520
<u>Equipment and Site Costs:</u>				
Facility Costs	\$ 128,510	\$ 78,780	\$ 39,390	\$ 246,680
Development Environment	\$ 151,605	\$ 15,000	\$ 13,000	\$ 179,605
	\$ 2,304,692	\$ 4,079,248	\$ 470,910	\$ 6,854,850
EQUIPMENT & EQUIPMENT SUPPORT				
Hardware Purchase	\$ 205,046	\$ 995,288	\$ 995,288	\$ 2,195,622
Video Teleconferencing	\$ 183,600	\$ 189,900	\$ 10,800	\$ 384,300
BIS Infrastructure Support	\$ 70,822	\$ 1,469,907	\$ 2,100,852	\$ 3,641,581
	\$ 459,468	\$ 2,655,095	\$ 3,106,940	\$ 6,221,503
OTHER COSTS				
Maintenance of State Foster Care & Adoption Payment System	\$ 501,741	\$ -	\$ -	\$ 501,741
Maintenance of Milwaukee Payment System from Jan.-June, 1998	\$ -	\$ 450,000	\$ -	\$ 450,000
	\$ 501,741	\$ 450,000	\$ -	\$ 951,741
GRAND TOTAL	\$ 3,974,722	\$ 8,894,076	\$ 5,161,368	\$ 16,938,077
GPR	\$ 1,987,361	\$ 4,447,038	\$ 2,580,684	\$ 8,469,039
FED	\$ 1,987,361	\$ 4,447,038	\$ 2,580,684	\$ 8,469,039

WCPSS STAFF NEEDS										
Assumptions:										
BIS professional staff bill for 1498 hours a year at \$58/hr. in FY 1997, \$60/hr. in FY 1998, and \$61/hr. in FY 1999.										
BIS para-professional staff bill for 1498 hours a year at \$48/hr. in FY 1997, \$50/hr. in FY 1998, and \$51/hr. in FY 1999.										
External contract staff bill for 2000 hours a year at \$68/hr. in FY 1997, \$70/hr. in FY 1998, and \$71/hr. in FY 1999.										
BIS STAFF										
BIS Development Staff:										
MIS Technical Manager	Classification	FTE	FY 97 Bill	FY 98 Bill	FY 99 Bill	Job Start Date	Job End Date	FY 1997	FY 1998	FY 1999
MIS Analysts/Designers	MIS Sup 6	1	\$ 86,884	\$ 89,880	\$ 91,378	July, 1996	June, 1999	\$ 86,884	\$ 89,880	\$ 91,378
MIS Analysts/Designers	MIS 6	1	\$ 86,884	\$ 89,880	\$ 91,378	January, 1997	July, 1998	\$ 43,442	\$ 89,880	\$ -
MIS Analysts/Designers	MIS 6	1	\$ 86,884	\$ 89,880	\$ 91,378	July, 1996	June, 1999	\$ 86,884	\$ 89,880	\$ 91,378
MIS Developer	MIS 5	1	\$ 86,884	\$ 89,880	\$ 91,378	July, 1996	June, 1999	\$ 86,884	\$ 89,880	\$ 91,378
MIS Developer	MIS 4	1	\$ 86,884	\$ 89,880	\$ 91,378	November, 1996	June, 1999	\$ 58,212	\$ 89,880	\$ 91,378
MIS Contract Manager	MIS 6	1	\$ 86,884	\$ 89,880	\$ 91,378	July, 1996	June, 1999	\$ 86,884	\$ 89,880	\$ 91,378
							Subtotal	\$ 449,190	\$ 539,280	\$ 456,890
Project Staff										
CPS Program Analyst	Classification	FTE	Salary	Fringe	Supps. & Svcs.	Start-up Cost	Job Start Date	FY 1997	FY 1998	FY 1999
FC & Adoption Analyst	MCPSM	1	\$ 44,056	\$ 15,794	\$ 2,600	\$ 4,900	January, 1997	June, 1998	\$ 33,825	\$ 62,450
	MCPSM	1	\$ 44,056	\$ 15,794	\$ 2,600	\$ 4,900	January, 1997	June, 1998	\$ 33,825	\$ 62,450
							Subtotal	\$ 67,650	\$ 124,900	\$ -
New BIS Production Support Staff:										
Cost of New BIS Production Support Staff will be paid under WCPSS as an hourly charge for the System Director (1 FTE) and the Production Support (0.5 FTE) staff.										
Charges:										
System Director	FTE	FY 97 Bill	FY 98 Bill	FY 99 Bill	Job Start Date	Job End Date	FY 1997	FY 1998	FY 1999	
Production Support	1	\$ 86,884	\$ 89,880	\$ 91,378	October, 1997	Ongoing	\$ -	\$ 67,410	\$ 91,378	
	0.5	\$ 35,952	\$ 37,450	\$ 38,199	October, 1997	Ongoing	\$ -	\$ 28,088	\$ 38,199	
						Subtotal	\$ -	\$ 95,498	\$ 129,577	
The cost of the remaining 4.5 production support FTE is imbedded in the per device Infrastructure support charge.										
Network Management	Classification	FTE								
Platform Support	MIS 5	2								
Telecom. Support	MIS 5	2								
	MIS 4	0.5								
CONTRACT STAFF										
Quality Control	FTE	FY 97 Bill	FY 98 Bill	FY 99 Bill	Job Start Date	Job End Date	FY 1997	FY 1998	FY 1999	
Help Desk	2	\$ 272,000	\$ 280,000	\$ 284,000	January, 1997	June, 1998	\$ 136,000	\$ 280,000	\$ -	
Software Maintenance	6	\$ 816,000	\$ 840,000	\$ 852,000	October, 1997	Ongoing	\$ -	\$ 630,000	\$ 852,000	
CPA	4	\$ 544,000	\$ 560,000	\$ 568,000	April, 1999	Ongoing	\$ -	\$ -	\$ 142,000	
		\$ 27,000			April, 1997	September, 1997	\$ 27,000	\$ -	\$ -	
						Subtotal	\$ 163,000	\$ 910,000	\$ 994,000	
Grand Total \$ 679,840 \$ 1,669,678 \$ 1,580,467										

Equipment

EQUIPMENT COSTS				
Application Environment				
The application environment covers the cost of purchasing and supporting computers, printers, and telecommunications equipment for all of the Milwaukee staff (including contract staff) as well as state staff supporting the Milwaukee Child Welfare Bureau, and State Special Needs Adoption Staff. The Department will purchase equipment and services directly.				
Assumptions:				
Number of New Work Stations purchased in FY 1997			40	
Number of New Printers purchase in FY 1997			2	
Cost of Work Stations purchased in FY 1997			\$ 159,040	
Cost of Printers purchased in FY 1997			\$ 10,000	
Laptop and Docking Station purchased in FY 1997			\$ 4,923	
Number of New Work Stations purchased in FY 1998			662	
Cost per Work Station			\$ 3,976	
Number of New Printers purchase in FY 1998			37	
Cost Per Printer			\$ 5,000	
Number of additional workstations requiring support after 10/97			712.5	
Number of additional printers requiring support			39	
Infrastructure Support/device/mo.			\$ 214	
Telecom. Circuit Cost/unit			\$ 20	
Video Teleconferencing Equipment			\$ 60,000	
VT Installation			\$ 1,200	
VT monthly line cost			\$ 150	
Hardware:				
Server Configuration	\$ -	\$ 189,000	\$ -	
Workstations	\$ 163,963	\$ 2,632,112	\$ -	
Printers	\$10,000.00	\$ 185,000	\$ -	
Network Infrastructure (Mil.)	\$ -	\$ 417,146	\$ -	
Data Circuits	\$ -	\$ 10,500	\$ -	
Network Mngt./Diagnostic Equip.	\$ -	\$ 23,000	\$ -	
Initial Wiring for Galena St. Bldg.	\$ 11,480			
Cisco Switches	\$ 6,623			
T1 Circuit Installation	\$ 1,500			
	\$ 193,566	\$ 3,456,758	\$ -	
Master Lease Annual Payment	\$ -	\$ 995,288	\$ 995,288	
	\$ 193,566	\$ 995,288	\$ 995,288	
BIS Infrastructure Support:				
Work Station Support	\$ 61,846	\$ 1,376,769	\$1,829,700	
Printer Support	\$ 2,996	\$ 76,398	\$ 100,152	
Data Connection	\$ 5,980	\$ 16,740	\$ 171,000	
	\$ 70,822	\$ 1,469,907	\$2,100,852	
Video Teleconferencing:				
Equipment & Installation	\$ 183,600	\$ 183,600		
Support		\$ 6,300	\$ 10,800	
	\$ 183,600	\$ 189,900	\$ 10,800	
TOTAL	\$ 447,988	\$ 2,655,095	\$3,106,940	



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development--Section 13.10 Request Relating to KIDS Computer System
for Child Support Enforcement--Agenda Item VIII

BACKGROUND

Federal Requirements for Automated Child Support Systems

Under federal law, every state must have a certified statewide automated child support system in place by October 1, 1997. This date is an extension from previous federal law, which required the automated systems to be in place by October 1, 1995. The Kids Information Data System (KIDS) was developed to replace the previous automated child support system, which did not meet the federal requirements. Since January, 1993, the state has contracted with Integrated Systems Solutions Corporation (ISSC) to develop the KIDS system in Wisconsin. Under 1995 Wisconsin Act 404, responsibility for child support enforcement programs, including the KIDS system, was transferred from the Department of Health and Social Services (H&SS) to the Department of Workforce Development (DWD) on July 1, 1996.

State operation of the KIDS system is generally funded at a 66/34 federal/state match. Federal funding for the development and conversion of automated child support systems is available at an enhanced 90/10 federal/state match until October 1, 1997, for expenses included in advance planning documents submitted before September 30, 1995.

The recent federal welfare reform legislation (P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) imposes a number of new requirements on states relating to child support enforcement, some of which will necessitate changes to the KIDS system. Federal funding for system modifications required by the new law will be provided at an enhanced 80% rate until September 30, 2001. However, the enhanced funding is capped at

\$400 million over this period. Allocations to states will be distributed based on a formula set in federal regulations which takes into account the relative size of state child support caseloads and the level of automation needed to meet the federal requirements.

The federal Department of Health and Human Services (HHS) is required to promulgate final regulations for implementation of the new requirements for automated systems by August 22, 1998. System modifications required by the new federal provisions must be in place by October 1, 2000. However, the October 1, 2000, deadline will be extended by one day for each day that HHS fails to meet the deadline for final regulations.

Current KIDS Budget

Under 1995 Wisconsin Act 27 (the 1995-97 budget), the KIDS budget is \$31,275,700 (\$9,313,000 GPR and \$21,962,700 FED) in 1995-96 and \$22,551,900 (\$8,657,700 GPR and \$13,894,200 FED) in 1996-97. However, \$5,759,200 GPR in 1995-96 and \$7,522,100 GPR in 1996-97 of this funding was placed in the Committee's program supplements appropriation for certain expenses related to the KIDS system.

The GPR funding was placed into the Committee's appropriation because it was uncertain whether all or a portion of the ongoing maintenance of the KIDS system would be performed by a private vendor, state staff or some combination of private and state resources. Also, because bids had not been submitted and the system had not been implemented in counties, it was difficult to accurately estimate the costs of operating the system. The Department was directed to submit its request for KIDS funding to the Committee under s. 13.10 of the statutes after bids from private vendors for maintenance of the system were received and reviewed.

To date, funding has been transferred from the Committee's appropriation for the KIDS system on two occasions. First, at its October 4, 1995, s. 13.10 meeting, the Committee approved the transfer of \$2,316,400 GPR in 1995-96 for operation of KIDS through March, 1996. Because statewide implementation of the system was delayed until September, 1996, the Department did not request additional funds for the remainder of the 1995-96 fiscal year. Second, at its June 27, 1996, s. 13.10 meeting, the Committee transferred \$4,303,200 GPR in 1996-97 to fund the system during the first six months of the 1996-97 fiscal year (July through December 1996). With these two transfers, a total of \$6,661,700 GPR remains in the Committee's appropriation for the KIDS system.

Current Status of KIDS

At the time Act 27 was being debated, the Department expected to begin implementation of KIDS on the weekend of August 5, 1995, when 37 counties were to be brought on-line. The remaining counties were to be added in September, with Milwaukee County added on the weekend of September 30, 1995, to complete the implementation phase.

At the time of the Committee's October, 1995, meeting, the Department indicated that the implementation schedule had been moved back by three months. It was anticipated that all counties would be connected by the end of December, 1995. The schedule was delayed in order to give counties a three-month pilot period. Also, ISSC was behind schedule in system development.

Last June, the Department indicated that 42 counties had been connected to the system and that statewide implementation would be further delayed until September, 1996. The remaining 30 counties were to be added between July and September. Milwaukee County was to be one of the last counties connected to the system. According to the Department, the further delay resulted from the need for additional support and training at the county level and technical changes to the system to address county concerns regarding its operation. Statewide implementation of the system was accomplished on September 4, 1996.

ISSC completed initial development of the system in December, 1995, and performed system enhancements under a warranty contract which was to expire at the end of 1996. However, the Department has extended its contract with ISSC until end of 1997. ISSC staff will continue to modify the system to respond to county concerns, do other state-specific work (items not required by federal law) and implement the change orders required by the new federal provisions. ISSC will also be retained during this period for ongoing maintenance of the system along with state personnel. ISSC's warranty has been extended until the end of calendar year 1997. The Department expects to achieve federal certification of the pre-1996 federal requirements sometime in 1997. Currently, ten states have received federal certification.

It is uncertain at this time whether ongoing maintenance of the system will be performed by state staff or a private vendor after the amended contract with ISSC expires in December, 1997. This issue will likely be decided over the next year as additional experience is gained with the system.

CURRENT REQUEST

The Department of Workforce Development has submitted a request, under s. 13.10, to transfer \$6,405,700 GPR in 1996-97 from the Committee's appropriation for operation of the KIDS system from January, 1997, through July, 1997, and to implement change orders required by the recent federal welfare reform legislation. The Department's request is outlined in Table 1.

TABLE 1

1996-97 KIDS Funding Request

	<u>GPR</u>	<u>FED</u>	<u>Total</u>
Contractor Fees			
Transitional Systems Maintenance	\$2,008,200	\$3,898,400	\$5,906,600
Welfare Reform Change Orders	1,000,000	4,000,000	5,000,000
Other Agencies' Data Bases	568,900	1,104,400	1,673,300
BITS Costs			
Staff-BITS Contract	637,700	1,375,500	2,013,200
DWD Local Area Network Services	292,400	567,700	860,100
Maintenance	112,500	218,300	330,800
Capital/Installation/Infrastructure Upgrades	234,600	455,400	690,000
800 Number, Help Desk and AVR	280,900	545,400	826,300
InfoTech Charges			
Mainframe	3,828,300	4,908,000	8,736,300
E-Mail	21,500	41,600	63,100
Telecommunications	287,000	557,100	844,100
Supplies and Services			
Centralized Mailing	1,101,200	2,137,700	3,238,900
Additional On-Site Support	568,500	1,103,500	1,672,000
Credit Bureau Reports	17,000	33,000	50,000
General Supplies and Services	721,900	1,401,200	2,123,100
County Support	<u>163,900</u>	<u>318,100</u>	<u>482,000</u>
Total KIDS Budget	\$11,844,500	\$22,665,300	\$34,509,800
GPR Available to DWD	<u>5,438,800</u>		
Current Request	\$6,405,700		

As shown in Table 1, the Department estimates that the KIDS budget will total \$34,509,800 (\$11,844,500 GPR and \$22,665,300 FED) in 1996-97. DWD currently has \$5,438,800 GPR available for expenditure in that year, which includes \$1,135,600 GPR in Act

27 plus the \$4,303,200 GPR that was transferred in June. Therefore, the Department requests \$6,405,700 GPR to cover its costs for the remainder of the fiscal year. If this request is approved, the amount of KIDS funding in the Committee's appropriation would be decreased from \$6,661,700 to \$256,000.

The Department's June request estimated that the KIDS system would cost \$26.4 million all funds during 1996-97. The current request shown in Table 1 exceeds that amount by \$8.1 million. Table 2 presents a comparison of the current request with the June estimates, on an all funds basis. The following sections outline areas of the budget that have been modified since last June.

TABLE 2

**Comparison of June, 1996, KIDS Budget Request and Current Request
(All Funds)**

	<u>June Request</u>	<u>November Request</u>	<u>Difference</u>
Contractor Fees			
Transitional Systems Maintenance	\$3,660,000	\$5,906,600	\$2,246,600
Welfare Reform Change Orders	<u>3,000,000</u>	<u>5,000,000</u>	<u>2,000,000</u>
Subtotal: Contractor Fees	\$6,660,000	\$10,906,600	\$4,246,600
Other Agencies' Data Bases	\$0	\$1,673,300	\$1,673,300
BITS Costs			
Staff-BITS Contract	1,643,600	2,013,200	369,600
DWD Local Area Network Services	860,100	860,100	0
Maintenance	182,400	330,800	148,400
Capital/Installation/Infrastructure Upgrades	690,900	690,000	-900
800 Number, Help Desk and AVR	<u>0</u>	<u>826,300</u>	<u>826,300</u>
Subtotal: BITS Costs	\$3,377,000	\$4,720,400	\$1,343,400
InfoTech Charges			
Mainframe 6,968,800	8,736,300	1,767,500	
E-Mail	120,000	63,100	-56,900
Telecommunications	<u>553,000</u>	<u>844,100</u>	<u>291,100</u>
Subtotal: InfoTech Charges	\$7,641,800	\$9,643,500	\$2,001,700
Supplies and Services			
Centralized Mailing	3,238,900	3,238,900	0
Additional On-Site Support	2,849,900	1,672,000	-1,177,900
Credit Bureau Reports	0	50,000	50,000
General Supplies and Services	2,123,100	2,123,100	0
County Support	<u>482,200</u>	<u>482,000</u>	<u>-200</u>
Subtotal: Supplies and Services	\$8,694,100	\$7,566,000	-\$1,128,100
Total KIDS Budget	\$26,372,900	\$34,509,800	\$8,136,900

Contractor Fees

The request includes \$10,906,600 for contractor fees, which is a \$4,246,600 increase over the June amount. This funding would be paid to ISSC for maintenance of the system through the remainder of 1996-97, change orders requested by counties and associated with the transition to the Wisconsin Works (W-2) program and change orders necessitated by the new federal provisions.

Transitional Systems Maintenance. Funding for transitional systems maintenance is \$2,246,600 more than the amount estimated in June. This increase is based on the current contract with ISSC and reflects a number of change orders that were not included in the June figure. The June budget accounted for these modifications separately in the \$3,000,000 amount.

Welfare Reform Change Orders. The Department estimates that the new federal provisions will require change orders to the KIDS system costing approximately \$11,500,000 all funds over the next three years. Three areas of federal law account for about \$8,700,000 of this total: the requirement for a state directory of new hires, modifications regarding the distribution of child support (including required centralized receipt and disbursement) and the requirement for states to enter into agreements with financial institutions to develop an automated data match system to be used in securing the assets of delinquent child support obligors. The remaining \$2,800,000 in change orders relate to a number of other new federal provisions, including requirements regarding the collection and use of social security numbers, denial and suspension of drivers' licenses and professional licenses and procedures regarding paternity establishment. The Appendix provides additional information on the major federal law changes that will impact the KIDS system.

The Department requests \$5,000,000 to begin implementing these change orders in 1996-97. This funding includes \$1,858,200 to develop an automated system in the Division of Unemployment Insurance that uses electronic data interchange, interactive voice response and the internet, in addition to paper reporting, to provide employers with a variety of options for submitting the required data. This \$5,000,000 amount is higher than the June request by \$2,000,000, which reflects the new federal provisions.

Many of the federal requirements have short time frames. For example the state directory of new hires must be established and operational by October 1, 1997. By May 1, 1998, each state directory must conduct automated matches of the social security numbers of reported employees against the social security numbers of records in the state child support case registry and report specified information to the state child support agency. A centralized receipt and disbursement system must be in effect on October 1, 1998. However, states (like Wisconsin) that process child support payments through local courts may continue court payments until September 30, 1999.

Other Agencies' Data Bases

The new federal provisions will require modifications to the data bases of other state agencies. For example, federal law requires states to implement procedures under which the state has the authority to suspend or withhold driver's, professional and recreational licenses of individuals who owe past-due support or who fail to comply with subpoenas or warrants relating to paternity or child support proceedings. This provision will require the KIDS system to interface with data bases of other state agencies such as the Department of Transportation, the Department of Regulation and Licensing and the Department of Natural Resources. The request includes \$1,673,300 for payments to other agencies for modifications resulting from the new requirements. The Department estimates that these modifications will cost \$5,000,000 over the next three years; the requested funding is approximately one-third of this amount.

Bureau of Information Technology Services (BITS) Costs

BITS costs are estimated at \$4,720,400 all funds, an increase of \$1,343,400 from the June estimate. This portion of the request includes internal charges by the Bureau for staff, local area network services and equipment maintenance and purchases associated with the KIDS system. The increase is due to three factors. First, additional funds of \$369,600 are requested for staffing because the Department has had to contract for more services than anticipated, at higher rates than would be paid to state employees. Also, additional funding of \$148,400 is requested for maintenance of county computer equipment, based on actual experience.

Finally, the current request includes \$826,300 all funds to expand the Department's 800 number service and automated voice response unit, which are used to respond to inquiries by county child support staff, child support payers and recipients. Currently, the 800 number service is available Monday through Friday from 7:00 A.M. until 7:00 or 8:00 P.M. The Department intends to expand this service to provide coverage 24 hours daily, seven days a week. In addition, the automated voice response unit would be upgraded to provide additional types of information.

InfoTech Charges

The InfoTech request includes the fee paid to DOA for mainframe services, electronic mail and connection to the consolidated data network (CDN). The annual mainframe fee is estimated at \$8,736,300 all funds, which is \$1,767,500 more than the amount included in the June request. This increase reflects higher than expected usage of the system since statewide start-up. The mainframe contract is for a flat fee, if usage does not exceed a level specified in the contract by 12%. If usage exceeds this level, the fee is assessed based on actual usage. Since September, mainframe usage has exceeded the contract level by approximately 20%, resulting in higher costs.

The request for E-mail services is \$63,100, a reduction of \$56,900 from the June budget, based on actual usage. The increased funding for telecommunications includes a one-time

equipment charge by DOA that was not included in the previous budget. In the future, these charges will be included in the fee for mainframe services.

Supplies and Services

A total of \$7,566,000 is requested for supplies and services, which is \$1,128,100 less than the amount requested in June. Nearly all of the reduction is in additional on-site support, which provided assistance with data conversion, training, equipment installation and testing, technical support and a liaison between state KIDS staff and ISSC during the start-up period. Most of these services were provided under contract with ISSC and several other vendors. The reduced funding amount reflects the elimination of these services after September, 1996, when all counties were connected to the system. The June figures assumed that these services would be provided through the end of 1996.

The supplies and services request also includes \$50,000 for credit bureau reports. These funds, which were not included in the June request, will be used to modify the system to provide information to credit agencies regarding individuals who are delinquent in paying child support. The Department currently collects information from such agencies on delinquent obligors, but does not report such information to credit bureaus.

SUMMARY

The Department's requested KIDS budget is greater than the June estimates by approximately \$8.1 million all funds. Most of this increase would be for change orders that are required under the new federal provisions. In addition, modified funding amounts are requested for certain expenditures based on more recent information regarding actual usage of the system. Finally, additional funds are requested to expand the 800 number service which provides assistance to counties in using the system.

It is clear that the Department will incur significant costs in upgrading the system to comply with the new federal requirements in the 1996 welfare reform legislation. As noted, some of the federal requirements must be implemented within a short time frame; others may be put in place over the next several years. However, at this point, it is not certain how much these change orders will actually cost and how much of this work can be accomplished during the last six months of the 1996-97 state fiscal year.

Because of these factors, the Department of Administration recommends reducing the funding for new change orders from \$5,000,000 to \$2,500,000 and eliminating the \$1,673,300 of funding for other agencies' data bases. These modifications would decrease GPR funding by \$1,068,900, and reduce the amount transferred from the Committee's appropriation from \$6,405,700 to \$5,336,800. Under this option, \$1,324,900 GPR would remain in the Committee's appropriation. DWD could request these funds later in the year if additional information is available regarding the change orders.

ALTERNATIVES

1. Approve the Department's request to transfer \$6,405,700 GPR from the Committee's appropriation under 20.865(4)(a) to DWD's general program operations appropriation under 20.445(3)(a) in 1996-97 to be used for the KIDS computer system during the last six months of the 1996-97 fiscal year.

2. Reduce the Department's request by \$1,068,900 GPR. Under this option, funding for new change orders would be decreased from \$5,000,000 to \$2,500,000 all funds and \$1,673,300 all funds would be eliminated for other agencies' data bases.

Prepared by: Rob Reinhardt

have the difference be released
by DOA for their approval.
They don't have to come
back to SFC, DOA can
approve the release based
on documentation.

Motion from FB

MO# 245

2 BURKE	(Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
WEEDEN	(Y)	N	A
COWLES	(Y)	N	A
1 BRANCEL	(Y)	N	A
FOTI	(Y)	N	A
SCHNEIDERS	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
PORTER	(Y)	N	A
LINTON	Y	N	(A)
COGGS	(Y)	N	A

AYE 13 NO 0 ABS 3

APPENDIX

1996 FEDERAL CHILD SUPPORT LEGISLATION

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) includes a number of significant changes regarding child support enforcement, many of which will necessitate modifications to the KIDS computer system. The major provisions which will impact the KIDS system are described below.

Except as noted in specific summaries, the general effective date of the child support provisions is October 1, 1996. However, because many of the changes required by the federal legislation must be approved by state legislatures, P.L. 104-193 contains a grace period tied to the meeting schedule of state legislatures. In each state, the new provisions become effective on the later of: (a) October 1, 1996; or (b) the first day of the first calendar quarter after the close of the first regular session (or after the first year of a two-year session) of the legislature that begins after August 22, 1996 (the date of enactment of P.L. 104-193). In Wisconsin, this would be April 1, 1998.

State Directory of New Hires

The new federal law requires states to establish and operate a directory of new hires by October 1, 1997. Employers and labor organizations in the state must furnish a report to the directory for each newly hired employee, unless reporting could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

Specifically, employers must provide to the state directory the name, address and social security number of every new employee and the name, address and identification number of the employer. Employers must report new hire information within 20 days of the date of hire. Employers that report new hires electronically or by magnetic tape must file twice per month. The report will be made on a W-4 form or the equivalent, and can be transmitted magnetically, electronically or by first class mail, at the option of the employer. New hire information must be entered in the state data base within five business days of receipt from the employer.

By May 1, 1998, each state directory must conduct automated matches of the social security numbers of reported employees against the social security numbers of records in the state case registry being enforced by the state agency and report the name, address, social security number, and the employer name, address, and identification number on matches to the state child support agency. Within two business days of the entry of data in the case registry, the state must transmit a withholding order directing the employer to withhold wages in accord with the child support order. Within three days, the state directory of new hires must furnish employee information to the national directory for matching with the records of other state case registries. The state directory must also report quarterly to the national directory information on wages and unemployment compensation taken from the required quarterly report to the Secretary of Labor.

The state child support agency must use the new hire information to locate individuals for purposes of establishing paternity as well as establishing, modifying and enforcing child support obligations. New hire information must also be disclosed to the state agency administering specified public assistance programs for income eligibility verification, and to state agencies administering workers' compensation programs to assist determinations of the allowability of claims. States also may disclose new hire information to agencies and private entities working under contract with the child support agency.

States that already have new hire reporting laws may continue to follow the provisions of their own law until October 1, 1998, at which time states must conform to federal law. In Wisconsin, provisions regarding income withholding for child support obligations require employers to notify the county clerk of court if an employee with a child support assignment is terminated or otherwise leaves employment. However, state law does not require reporting on new hires for child support enforcement.

Financial Institution Data Matches

The new law requires states to implement procedures under which the state child support agency must enter into agreements with financial institutions doing business within the state to develop and operate a data match system, using automated data exchanges to the maximum extent feasible. Under the agreements, financial institutions must provide (for each calendar quarter) the name, address, social security number and other identifying information for each noncustodial parent identified by the state who has an account at the institution and owes past-due child support. In response to a notice of lien or levy, the financial institution must encumber or surrender assets held by the institution on behalf of the noncustodial parent who is subject to the child support lien. The state agency may pay a fee to the financial institution. The financial institution is not liable for activities taken to implement the provisions of this section.

Centralized Receipt and Disbursement

Under current state law, in Wisconsin, child support is distributed through county clerks of court. The new federal law requires that, by October 1, 1998, state child support agencies must operate a centralized, automated unit for collection and disbursement of payments on child support orders enforced by the child support agency and payments on orders issued after December 31, 1993, which are not enforced by the state agency but for which income withholding applies. The specifics of how states will establish and operate their disbursement units must be outlined in the state plan. The disbursement unit may be operated directly by the state child support agency, by two or more state agencies under a regional cooperative agreement or by a contractor responsible directly to the state agency. The state unit may be established by linking local disbursement units through an automated information network.

The disbursement unit must be used to collect and disburse support payments, to generate orders and notices of withholding to employers, to keep an accurate identification of payments, to promptly distribute money to custodial parents or other states and to furnish parents with a

record of the current status of support payments. The state unit must distribute all amounts payable within two business days after receiving money and identifying information from the employer or other source of periodic income, if sufficient information identifying the payee is provided. As noted, these provisions will take effect on October 1, 1998. However, states (like Wisconsin) that process child support payments through local courts may continue court payments until September 30, 1999.

Distribution of Child Support

Previous Federal Law. Under prior federal law, as a condition of eligibility for AFDC, an applicant was required to assign all rights to court-ordered child support and maintenance (alimony) to the state. The assignment included all unpaid support and maintenance obligations for as long as the family received AFDC. If the child support collected was insufficient to disqualify the family from receiving AFDC payments, up to \$50 each month collected from an absent parent was provided to the AFDC family without affecting the family's AFDC grant. Thus, the family received its full monthly AFDC payment plus the first \$50 of the child support payment made in the child's behalf for the month. This payment was referred to as the \$50 disregard or the \$50 DEFRA payment, named after the federal legislation that created it (the Deficit Reduction Act of 1984).

All child support collected on behalf of an AFDC family that exceeded the \$50 DEFRA payment was divided between the state and the federal government in proportion to funding used to support the AFDC program (approximately 60% FED and 40% state). The state's share was used to offset state AFDC expenditures. The federal share was used to offset federal AFDC expenditures and to fund child support incentive payments to the state.

New Federal Law. The 1996 federal welfare reform legislation eliminates the AFDC program and replaces it with a block grant program called temporary assistance to needy families (TANF). Like the AFDC program, under the TANF provisions, states must require recipients to assign to the state any rights to child support or spousal support, not to exceed the total amount of assistance provided. States may not require the assignment of support that accrues after the date the family leaves the program.

As under current law, child support collected on behalf of families who have never received public assistance must be distributed to the family. In the case of families receiving assistance from the state, the state must: (a) first pay to the federal government the federal share of the support collected; and (b) retain, or distribute to the family, the remaining amount collected. These provisions apply to families receiving AFDC or TANF benefits or foster care maintenance payments. The federal share is based on the federal financial participation rate for the medicaid program in effect during the year in which the collections were made (about 60% in Wisconsin). There is no longer a requirement for states to pass through the first \$50 of support to the family.

State Law. Under the current AFDC program in Wisconsin, recipients continue to receive the \$50 DEFRA payment, funded entirely with state revenues.

The Wisconsin Works (W-2) proposal was enacted in 1995 Wisconsin Act 289 to replace the AFDC program in Wisconsin. The W-2 program, which is expected to be implemented in October, 1997, will be partially funded with the federal TANF block grant. In order to receive cash assistance under W-2, an eligible individual will have to work in a subsidized trial job, community service job or transitional placement. Under Act 289, participants will not be required to assign child support to the state in order to be eligible for one of these subsidized employment positions. Instead, all child support will be distributed to the family. This provision is not consistent with the federal TANF requirement described above. Therefore, a state law change or administrative rule may be required to conform with federal law.

The W-2 provision will result in increased costs to the state, because the state will no longer retain a share of child support collections on behalf of W-2 families and the state will still be required to pay approximately 60% of such collections to the federal government. These costs have been included in expenditure estimates for the W-2 program.

WORKFORCE DEVELOPMENT

KIDS Computer System

Motion:

Move to approve the Department's request for \$6,405,700 GPR for the Kids Information Data System (KIDS), but place \$1,068,900 GPR of the requested funding for change orders and connection of the system to other agencies' data bases into unallotted reserve to be released upon approval by the Department of Administration.

Note:

This motion would approve the \$6,405,700 GPR funding request by the Department of Workforce Development (DWD) for the KIDS computer system. However, \$1,068,900 GPR would be placed into unallotted reserve. These funds relate to change orders and connection of the system to the data bases of other state agencies. DOA could release these funds after DWD provides additional documentation regarding the costs of these activities.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development--Section 13.10 Request Relating to KIDS Computer System
for Child Support Enforcement--Agenda Item VIII

BACKGROUND

Federal Requirements for Automated Child Support Systems

Under federal law, every state must have a certified statewide automated child support system in place by October 1, 1997. This date is an extension from previous federal law, which required the automated systems to be in place by October 1, 1995. The Kids Information Data System (KIDS) was developed to replace the previous automated child support system, which did not meet the federal requirements. Since January, 1993, the state has contracted with Integrated Systems Solutions Corporation (ISSC) to develop the KIDS system in Wisconsin. Under 1995 Wisconsin Act 404, responsibility for child support enforcement programs, including the KIDS system, was transferred from the Department of Health and Social Services (H&SS) to the Department of Workforce Development (DWD) on July 1, 1996.

State operation of the KIDS system is generally funded at a 66/34 federal/state match. Federal funding for the development and conversion of automated child support systems is available at an enhanced 90/10 federal/state match until October 1, 1997, for expenses included in advance planning documents submitted before September 30, 1995.

The recent federal welfare reform legislation (P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) imposes a number of new requirements on states relating to child support enforcement, some of which will necessitate changes to the KIDS system. Federal funding for system modifications required by the new law will be provided at an enhanced 80% rate until September 30, 2001. However, the enhanced funding is capped at

\$400 million over this period. Allocations to states will be distributed based on a formula set in federal regulations which takes into account the relative size of state child support caseloads and the level of automation needed to meet the federal requirements.

The federal Department of Health and Human Services (HHS) is required to promulgate final regulations for implementation of the new requirements for automated systems by August 22, 1998. System modifications required by the new federal provisions must be in place by October 1, 2000. However, the October 1, 2000, deadline will be extended by one day for each day that HHS fails to meet the deadline for final regulations.

Current KIDS Budget

Under 1995 Wisconsin Act 27 (the 1995-97 budget), the KIDS budget is \$31,275,700 (\$9,313,000 GPR and \$21,962,700 FED) in 1995-96 and \$22,551,900 (\$8,657,700 GPR and \$13,894,200 FED) in 1996-97. However, \$5,759,200 GPR in 1995-96 and \$7,522,100 GPR in 1996-97 of this funding was placed in the Committee's program supplements appropriation for certain expenses related to the KIDS system.

The GPR funding was placed into the Committee's appropriation because it was uncertain whether all or a portion of the ongoing maintenance of the KIDS system would be performed by a private vendor, state staff or some combination of private and state resources. Also, because bids had not been submitted and the system had not been implemented in counties, it was difficult to accurately estimate the costs of operating the system. The Department was directed to submit its request for KIDS funding to the Committee under s. 13.10 of the statutes after bids from private vendors for maintenance of the system were received and reviewed.

To date, funding has been transferred from the Committee's appropriation for the KIDS system on two occasions. First, at its October 4, 1995, s. 13.10 meeting, the Committee approved the transfer of \$2,316,400 GPR in 1995-96 for operation of KIDS through March, 1996. Because statewide implementation of the system was delayed until September, 1996, the Department did not request additional funds for the remainder of the 1995-96 fiscal year. Second, at its June 27, 1996, s. 13.10 meeting, the Committee transferred \$4,303,200 GPR in 1996-97 to fund the system during the first six months of the 1996-97 fiscal year (July through December 1996). With these two transfers, a total of \$6,661,700 GPR remains in the Committee's appropriation for the KIDS system.

Current Status of KIDS

At the time Act 27 was being debated, the Department expected to begin implementation of KIDS on the weekend of August 5, 1995, when 37 counties were to be brought on-line. The remaining counties were to be added in September, with Milwaukee County added on the weekend of September 30, 1995, to complete the implementation phase.

At the time of the Committee's October, 1995, meeting, the Department indicated that the implementation schedule had been moved back by three months. It was anticipated that all counties would be connected by the end of December, 1995. The schedule was delayed in order to give counties a three-month pilot period. Also, ISSC was behind schedule in system development.

Last June, the Department indicated that 42 counties had been connected to the system and that statewide implementation would be further delayed until September, 1996. The remaining 30 counties were to be added between July and September. Milwaukee County was to be one of the last counties connected to the system. According to the Department, the further delay resulted from the need for additional support and training at the county level and technical changes to the system to address county concerns regarding its operation. Statewide implementation of the system was accomplished on September 4, 1996.

ISSC completed initial development of the system in December, 1995, and performed system enhancements under a warranty contract which was to expire at the end of 1996. However, the Department has extended its contract with ISSC until end of 1997. ISSC staff will continue to modify the system to respond to county concerns, do other state-specific work (items not required by federal law) and implement the change orders required by the new federal provisions. ISSC will also be retained during this period for ongoing maintenance of the system along with state personnel. ISSC's warranty has been extended until the end of calendar year 1997. The Department expects to achieve federal certification of the pre-1996 federal requirements sometime in 1997. Currently, ten states have received federal certification.

It is uncertain at this time whether ongoing maintenance of the system will be performed by state staff or a private vendor after the amended contract with ISSC expires in December, 1997. This issue will likely be decided over the next year as additional experience is gained with the system.

CURRENT REQUEST

The Department of Workforce Development has submitted a request, under s. 13.10, to transfer \$6,405,700 GPR in 1996-97 from the Committee's appropriation for operation of the KIDS system from January, 1997, through July, 1997, and to implement change orders required by the recent federal welfare reform legislation. The Department's request is outlined in Table 1.

TABLE 1

1996-97 KIDS Funding Request

	<u>GPR</u>	<u>FED</u>	<u>Total</u>
Contractor Fees			
Transitional Systems Maintenance	\$2,008,200	\$3,898,400	\$5,906,600
Welfare Reform Change Orders	1,000,000	4,000,000	5,000,000
Other Agencies' Data Bases	568,900	1,104,400	1,673,300
BITS Costs			
Staff-BITS Contract	637,700	1,375,500	2,013,200
DWD Local Area Network Services	292,400	567,700	860,100
Maintenance	112,500	218,300	330,800
Capital/Installation/Infrastructure Upgrades	234,600	455,400	690,000
800 Number, Help Desk and AVR	280,900	545,400	826,300
InfoTech Charges			
Mainframe	3,828,300	4,908,000	8,736,300
E-Mail	21,500	41,600	63,100
Telecommunications	287,000	557,100	844,100
Supplies and Services			
Centralized Mailing	1,101,200	2,137,700	3,238,900
Additional On-Site Support	568,500	1,103,500	1,672,000
Credit Bureau Reports	17,000	33,000	50,000
General Supplies and Services	721,900	1,401,200	2,123,100
County Support	<u>163,900</u>	<u>318,100</u>	<u>482,000</u>
Total KIDS Budget	\$11,844,500	\$22,665,300	\$34,509,800
GPR Available to DWD	<u>5,438,800</u>		
Current Request	\$6,405,700		

As shown in Table 1, the Department estimates that the KIDS budget will total \$34,509,800 (\$11,844,500 GPR and \$22,665,300 FED) in 1996-97. DWD currently has \$5,438,800 GPR available for expenditure in that year, which includes \$1,135,600 GPR in Act

27 plus the \$4,303,200 GPR that was transferred in June. Therefore, the Department requests \$6,405,700 GPR to cover its costs for the remainder of the fiscal year. If this request is approved, the amount of KIDS funding in the Committee's appropriation would be decreased from \$6,661,700 to \$256,000.

The Department's June request estimated that the KIDS system would cost \$26.4 million all funds during 1996-97. The current request shown in Table 1 exceeds that amount by \$8.1 million. Table 2 presents a comparison of the current request with the June estimates, on an all funds basis. The following sections outline areas of the budget that have been modified since last June.

TABLE 2

**Comparison of June, 1996, KIDS Budget Request and Current Request
(All Funds)**

	<u>June Request</u>	<u>November Request</u>	<u>Difference</u>
Contractor Fees			
Transitional Systems Maintenance	\$3,660,000	\$5,906,600	\$2,246,600
Welfare Reform Change Orders	<u>3,000,000</u>	<u>5,000,000</u>	<u>2,000,000</u>
Subtotal: Contractor Fees	\$6,660,000	\$10,906,600	\$4,246,600
Other Agencies' Data Bases	\$0	\$1,673,300	\$1,673,300
BITS Costs			
Staff-BITS Contract	1,643,600	2,013,200	369,600
DWD Local Area Network Services	860,100	860,100	0
Maintenance	182,400	330,800	148,400
Capital/Installation/Infrastructure Upgrades	690,900	690,000	-900
800 Number, Help Desk and AVR	<u>0</u>	<u>826,300</u>	<u>826,300</u>
Subtotal: BITS Costs	\$3,377,000	\$4,720,400	\$1,343,400
InfoTech Charges			
Mainframe 6,968,800	8,736,300	1,767,500	
E-Mail	120,000	63,100	-56,900
Telecommunications	<u>553,000</u>	<u>844,100</u>	<u>291,100</u>
Subtotal: InfoTech Charges	\$7,641,800	\$9,643,500	\$2,001,700
Supplies and Services			
Centralized Mailing	3,238,900	3,238,900	0
Additional On-Site Support	2,849,900	1,672,000	-1,177,900
Credit Bureau Reports	0	50,000	50,000
General Supplies and Services	2,123,100	2,123,100	0
County Support	<u>482,200</u>	<u>482,000</u>	<u>-200</u>
Subtotal: Supplies and Services	\$8,694,100	\$7,566,000	-\$1,128,100
Total KIDS Budget	\$26,372,900	\$34,509,800	\$8,136,900

Contractor Fees

The request includes \$10,906,600 for contractor fees, which is a \$4,246,600 increase over the June amount. This funding would be paid to ISSC for maintenance of the system through the remainder of 1996-97, change orders requested by counties and associated with the transition to the Wisconsin Works (W-2) program and change orders necessitated by the new federal provisions.

Transitional Systems Maintenance. Funding for transitional systems maintenance is \$2,246,600 more than the amount estimated in June. This increase is based on the current contract with ISSC and reflects a number of change orders that were not included in the June figure. The June budget accounted for these modifications separately in the \$3,000,000 amount.

Welfare Reform Change Orders. The Department estimates that the new federal provisions will require change orders to the KIDS system costing approximately \$11,500,000 all funds over the next three years. Three areas of federal law account for about \$8,700,000 of this total: the requirement for a state directory of new hires, modifications regarding the distribution of child support (including required centralized receipt and disbursement) and the requirement for states to enter into agreements with financial institutions to develop an automated data match system to be used in securing the assets of delinquent child support obligors. The remaining \$2,800,000 in change orders relate to a number of other new federal provisions, including requirements regarding the collection and use of social security numbers, denial and suspension of drivers' licenses and professional licenses and procedures regarding paternity establishment. The Appendix provides additional information on the major federal law changes that will impact the KIDS system.

The Department requests \$5,000,000 to begin implementing these change orders in 1996-97. This funding includes \$1,858,200 to develop an automated system in the Division of Unemployment Insurance that uses electronic data interchange, interactive voice response and the internet, in addition to paper reporting, to provide employers with a variety of options for submitting the required data. This \$5,000,000 amount is higher than the June request by \$2,000,000, which reflects the new federal provisions.

Many of the federal requirements have short time frames. For example the state directory of new hires must be established and operational by October 1, 1997. By May 1, 1998, each state directory must conduct automated matches of the social security numbers of reported employees against the social security numbers of records in the state child support case registry and report specified information to the state child support agency. A centralized receipt and disbursement system must be in effect on October 1, 1998. However, states (like Wisconsin) that process child support payments through local courts may continue court payments until September 30, 1999.

Other Agencies' Data Bases

The new federal provisions will require modifications to the data bases of other state agencies. For example, federal law requires states to implement procedures under which the state has the authority to suspend or withhold driver's, professional and recreational licenses of individuals who owe past-due support or who fail to comply with subpoenas or warrants relating to paternity or child support proceedings. This provision will require the KIDS system to interface with data bases of other state agencies such as the Department of Transportation, the Department of Regulation and Licensing and the Department of Natural Resources. The request includes \$1,673,300 for payments to other agencies for modifications resulting from the new requirements. The Department estimates that these modifications will cost \$5,000,000 over the next three years; the requested funding is approximately one-third of this amount.

Bureau of Information Technology Services (BITS) Costs

BITS costs are estimated at \$4,720,400 all funds, an increase of \$1,343,400 from the June estimate. This portion of the request includes internal charges by the Bureau for staff, local area network services and equipment maintenance and purchases associated with the KIDS system. The increase is due to three factors. First, additional funds of \$369,600 are requested for staffing because the Department has had to contract for more services than anticipated, at higher rates than would be paid to state employees. Also, additional funding of \$148,400 is requested for maintenance of county computer equipment, based on actual experience.

Finally, the current request includes \$826,300 all funds to expand the Department's 800 number service and automated voice response unit, which are used to respond to inquiries by county child support staff, child support payers and recipients. Currently, the 800 number service is available Monday through Friday from 7:00 A.M. until 7:00 or 8:00 P.M. The Department intends to expand this service to provide coverage 24 hours daily, seven days a week. In addition, the automated voice response unit would be upgraded to provide additional types of information.

InfoTech Charges

The InfoTech request includes the fee paid to DOA for mainframe services, electronic mail and connection to the consolidated data network (CDN). The annual mainframe fee is estimated at \$8,736,300 all funds, which is \$1,767,500 more than the amount included in the June request. This increase reflects higher than expected usage of the system since statewide start-up. The mainframe contract is for a flat fee, if usage does not exceed a level specified in the contract by 12%. If usage exceeds this level, the fee is assessed based on actual usage. Since September, mainframe usage has exceeded the contract level by approximately 20%, resulting in higher costs.

The request for E-mail services is \$63,100, a reduction of \$56,900 from the June budget, based on actual usage. The increased funding for telecommunications includes a one-time

equipment charge by DOA that was not included in the previous budget. In the future, these charges will be included in the fee for mainframe services.

Supplies and Services

A total of \$7,566,000 is requested for supplies and services, which is \$1,128,100 less than the amount requested in June. Nearly all of the reduction is in additional on-site support, which provided assistance with data conversion, training, equipment installation and testing, technical support and a liaison between state KIDS staff and ISSC during the start-up period. Most of these services were provided under contract with ISSC and several other vendors. The reduced funding amount reflects the elimination of these services after September, 1996, when all counties were connected to the system. The June figures assumed that these services would be provided through the end of 1996.

The supplies and services request also includes \$50,000 for credit bureau reports. These funds, which were not included in the June request, will be used to modify the system to provide information to credit agencies regarding individuals who are delinquent in paying child support. The Department currently collects information from such agencies on delinquent obligors, but does not report such information to credit bureaus.

SUMMARY

The Department's requested KIDS budget is greater than the June estimates by approximately \$8.1 million all funds. Most of this increase would be for change orders that are required under the new federal provisions. In addition, modified funding amounts are requested for certain expenditures based on more recent information regarding actual usage of the system. Finally, additional funds are requested to expand the 800 number service which provides assistance to counties in using the system.

It is clear that the Department will incur significant costs in upgrading the system to comply with the new federal requirements in the 1996 welfare reform legislation. As noted, some of the federal requirements must be implemented within a short time frame; others may be put in place over the next several years. However, at this point, it is not certain how much these change orders will actually cost and how much of this work can be accomplished during the last six months of the 1996-97 state fiscal year.

Because of these factors, the Department of Administration recommends reducing the funding for new change orders from \$5,000,000 to \$2,500,000 and eliminating the \$1,673,300 of funding for other agencies' data bases. These modifications would decrease GPR funding by \$1,068,900, and reduce the amount transferred from the Committee's appropriation from \$6,405,700 to \$5,336,800. Under this option, \$1,324,900 GPR would remain in the Committee's appropriation. DWD could request these funds later in the year if additional information is available regarding the change orders.

ALTERNATIVES

1. Approve the Department's request to transfer \$6,405,700 GPR from the Committee's appropriation under 20.865(4)(a) to DWD's general program operations appropriation under 20.445(3)(a) in 1996-97 to be used for the KIDS computer system during the last six months of the 1996-97 fiscal year.
2. Reduce the Department's request by \$1,068,900 GPR. Under this option, funding for new change orders would be decreased from \$5,000,000 to \$2,500,000 all funds and \$1,673,300 all funds would be eliminated for other agencies' data bases.

Prepared by: Rob Reinhardt

- difference released
by DOA

rather than

submitted -

Staff Recommendation:
2

APPENDIX

1996 FEDERAL CHILD SUPPORT LEGISLATION

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) includes a number of significant changes regarding child support enforcement, many of which will necessitate modifications to the KIDS computer system. The major provisions which will impact the KIDS system are described below.

Except as noted in specific summaries, the general effective date of the child support provisions is October 1, 1996. However, because many of the changes required by the federal legislation must be approved by state legislatures, P.L. 104-193 contains a grace period tied to the meeting schedule of state legislatures. In each state, the new provisions become effective on the later of: (a) October 1, 1996; or (b) the first day of the first calendar quarter after the close of the first regular session (or after the first year of a two-year session) of the legislature that begins after August 22, 1996 (the date of enactment of P.L. 104-193). In Wisconsin, this would be April 1, 1998.

State Directory of New Hires

The new federal law requires states to establish and operate a directory of new hires by October 1, 1997. Employers and labor organizations in the state must furnish a report to the directory for each newly hired employee, unless reporting could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

Specifically, employers must provide to the state directory the name, address and social security number of every new employee and the name, address and identification number of the employer. Employers must report new hire information within 20 days of the date of hire. Employers that report new hires electronically or by magnetic tape must file twice per month. The report will be made on a W-4 form or the equivalent, and can be transmitted magnetically, electronically or by first class mail, at the option of the employer. New hire information must be entered in the state data base within five business days of receipt from the employer.

By May 1, 1998, each state directory must conduct automated matches of the social security numbers of reported employees against the social security numbers of records in the state case registry being enforced by the state agency and report the name, address, social security number, and the employer name, address, and identification number on matches to the state child support agency. Within two business days of the entry of data in the case registry, the state must transmit a withholding order directing the employer to withhold wages in accord with the child support order. Within three days, the state directory of new hires must furnish employee information to the national directory for matching with the records of other state case registries. The state directory must also report quarterly to the national directory information on wages and unemployment compensation taken from the required quarterly report to the Secretary of Labor.

The state child support agency must use the new hire information to locate individuals for purposes of establishing paternity as well as establishing, modifying and enforcing child support obligations. New hire information must also be disclosed to the state agency administering specified public assistance programs for income eligibility verification, and to state agencies administering workers' compensation programs to assist determinations of the allowability of claims. States also may disclose new hire information to agencies and private entities working under contract with the child support agency.

States that already have new hire reporting laws may continue to follow the provisions of their own law until October 1, 1998, at which time states must conform to federal law. In Wisconsin, provisions regarding income withholding for child support obligations require employers to notify the county clerk of court if an employee with a child support assignment is terminated or otherwise leaves employment. However, state law does not require reporting on new hires for child support enforcement.

Financial Institution Data Matches

The new law requires states to implement procedures under which the state child support agency must enter into agreements with financial institutions doing business within the state to develop and operate a data match system, using automated data exchanges to the maximum extent feasible. Under the agreements, financial institutions must provide (for each calendar quarter) the name, address, social security number and other identifying information for each noncustodial parent identified by the state who has an account at the institution and owes past-due child support. In response to a notice of lien or levy, the financial institution must encumber or surrender assets held by the institution on behalf of the noncustodial parent who is subject to the child support lien. The state agency may pay a fee to the financial institution. The financial institution is not liable for activities taken to implement the provisions of this section.

Centralized Receipt and Disbursement

Under current state law, in Wisconsin, child support is distributed through county clerks of court. The new federal law requires that, by October 1, 1998, state child support agencies must operate a centralized, automated unit for collection and disbursement of payments on child support orders enforced by the child support agency and payments on orders issued after December 31, 1993, which are not enforced by the state agency but for which income withholding applies. The specifics of how states will establish and operate their disbursement units must be outlined in the state plan. The disbursement unit may be operated directly by the state child support agency, by two or more state agencies under a regional cooperative agreement or by a contractor responsible directly to the state agency. The state unit may be established by linking local disbursement units through an automated information network.

The disbursement unit must be used to collect and disburse support payments, to generate orders and notices of withholding to employers, to keep an accurate identification of payments, to promptly distribute money to custodial parents or other states and to furnish parents with a

record of the current status of support payments. The state unit must distribute all amounts payable within two business days after receiving money and identifying information from the employer or other source of periodic income, if sufficient information identifying the payee is provided. As noted, these provisions will take effect on October 1, 1998. However, states (like Wisconsin) that process child support payments through local courts may continue court payments until September 30, 1999.

Distribution of Child Support

Previous Federal Law. Under prior federal law, as a condition of eligibility for AFDC, an applicant was required to assign all rights to court-ordered child support and maintenance (alimony) to the state. The assignment included all unpaid support and maintenance obligations for as long as the family received AFDC. If the child support collected was insufficient to disqualify the family from receiving AFDC payments, up to \$50 each month collected from an absent parent was provided to the AFDC family without affecting the family's AFDC grant. Thus, the family received its full monthly AFDC payment plus the first \$50 of the child support payment made in the child's behalf for the month. This payment was referred to as the \$50 disregard or the \$50 DEFRA payment, named after the federal legislation that created it (the Deficit Reduction Act of 1984).

All child support collected on behalf of an AFDC family that exceeded the \$50 DEFRA payment was divided between the state and the federal government in proportion to funding used to support the AFDC program (approximately 60% FED and 40% state). The state's share was used to offset state AFDC expenditures. The federal share was used to offset federal AFDC expenditures and to fund child support incentive payments to the state.

New Federal Law. The 1996 federal welfare reform legislation eliminates the AFDC program and replaces it with a block grant program called temporary assistance to needy families (TANF). Like the AFDC program, under the TANF provisions, states must require recipients to assign to the state any rights to child support or spousal support, not to exceed the total amount of assistance provided. States may not require the assignment of support that accrues after the date the family leaves the program.

As under current law, child support collected on behalf of families who have never received public assistance must be distributed to the family. In the case of families receiving assistance from the state, the state must: (a) first pay to the federal government the federal share of the support collected; and (b) retain, or distribute to the family, the remaining amount collected. These provisions apply to families receiving AFDC or TANF benefits or foster care maintenance payments. The federal share is based on the federal financial participation rate for the medicaid program in effect during the year in which the collections were made (about 60% in Wisconsin). There is no longer a requirement for states to pass through the first \$50 of support to the family.

State Law. Under the current AFDC program in Wisconsin, recipients continue to receive the \$50 DEFRA payment, funded entirely with state revenues.

The Wisconsin Works (W-2) proposal was enacted in 1995 Wisconsin Act 289 to replace the AFDC program in Wisconsin. The W-2 program, which is expected to be implemented in October, 1997, will be partially funded with the federal TANF block grant. In order to receive cash assistance under W-2, an eligible individual will have to work in a subsidized trial job, community service job or transitional placement. Under Act 289, participants will not be required to assign child support to the state in order to be eligible for one of these subsidized employment positions. Instead, all child support will be distributed to the family. This provision is not consistent with the federal TANF requirement described above. Therefore, a state law change or administrative rule may be required to conform with federal law.

The W-2 provision will result in increased costs to the state, because the state will no longer retain a share of child support collections on behalf of W-2 families and the state will still be required to pay approximately 60% of such collections to the federal government. These costs have been included in expenditure estimates for the W-2 program.

MEMORANDUM

To: Senator Burke

From: Julie

Date: December 13, 1996

Re: Two Finance Related Items

Just wanted to make you aware of two issues related to the 13.10 meeting. First, Representative Krug called the office with some thoughts concerning the DHFS request for a transfer of funds to implement the Wisconsin child and protective services system in Milwaukee County. (Agenda Item VII)

She is concerned primarily about the staffing proposals outlined in the Fiscal Bureau paper on page 3. Specifically, regarding the 6 management information specialists (MIS) (section a) and 2 positions, which will be staffed by social workers, designed to consult with the vendor (section b). The 6 MIS positions will be based in Madison which she believes will run up administrative costs in order to service the Milwaukee system. She proposes that any future hiring be limited to staff based out of Milwaukee. Also, she would like you to specify that both social workers be from Milwaukee County. Representative Krug believes that the staffing decisions should reflect the fact that this project serves Milwaukee County.

Also, in regard to your inquiry last week about the possibility of designating some of the federal DOT appropriation for acceleration of the US 41, Lisbon Avenue project, Jim McDonnell from the DOT budget office checked into it and believes that it would be nearly impossible to move it into this fiscal year.